

Message Text

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ORIGIN ARA-10

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DRAFTED BY EB/IFD/ODF:JBRABENS;ARA/ECP:SHROGERS;BWL

APPROVED BY ARA - AFISHLOW

EB/IFD:PBOEKER(IN SUBSTANCE)

S/S MR. ORTIZ

EB/IFD/ODF - MR. WINDER

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FM SECSTATE WASHDC

TO USDEL SECRETARY AIRCRAFT IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, ECON, IBRD

SUBJECT: ACTION MEMORANDUM:SELECTIVE CAPITAL INCREASE FOR
THE WORLD BANK (S/S NO. 7603786)

FOR THE SECRETARY FROM GREENWALD AND RYAN, ACTING

1. PROBLEM

COLOMBIAN ECONOMIC MINISTER BOTERO HAS URGED YOU TO
SPEAK TO SECRETARY SIMON TO CONVINCE HIM NOT TO DELAY
US PARTICIPATION IN THE SELECTIVE CAPITAL INCREASE OF
THE WORLD BANK.

2. BACKGROUND

MCNAMARA PROPOSED A SELECTIVE CAPITAL INCREASE LAST
JULY TO INCREASE THE ROLE OF THE OPEC COUNTRIES IN THE
BANK'S FINANCING AND VOTING WHILE OBTAINING ADDITIONAL
FUNDS FOR DEVELOPMENT LENDING. TREASURY HAS IN THE PAST
BEEN DOUBTFUL ABOUT THE PROPOSAL, AT LEAST PARTLY

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BECAUSE OF CONCERN THAT CONGRESS WOULD BE UNWILLING TO

AUTHORIZE US PARTICIPATION IN AN ELECTION YEAR. IN
NOVEMBER YOU WROTE A LETTER TO SECRETARY SIMON SUPPORTING

TIMELY US PARTICIPATION IN THE INCREASE, TO WHICH YOU
RECEIVED AN UNSYMPATHETIC RESPONSE.

3. THE U.S. POSITION ON THE SELECTIVE CAPITAL INCREASE
TAKES ON ADDED IMPORTANCE IN VIEW OF OUR POSTURE
TOWARDS IDA. A HOUSE APPROPRIATIONS SUBCOMMITTEE
(PASSMAN) HAS JUST MARKED UP THE FY-1976 FOREIGN
ASSISTANCE APPROPRIATIONS LEGISLATION AND HAS
RECOMMENDED AN APPROPRIATION OF ONLY \$320 MILLION
COMPARED WITH OUR SHARE OF \$375 MILLION. SINCE THIS IS
THE FIRST APPROPRIATION FOR IDA IV, A CUT OF THIS
MAGNITUDE, IF SUSTAINED BY THE FULL HOUSE AND THE
SENATE, WOULD SIGNAL SERIOUS DIFFICULTIES IN OUR ABILITY
TO MEET OUR EXISTING COMMITMENT TO THE IDA. FURTHER,
THE NEGOTIATIONS FOR A NEW REPLENISHMENT OF IDA (IDA V)
ARE NOW UNDERWAY. MCNAMARA WOULD LIKE TO HAVE THE
NEGOTIATIONS COMPLETED BY THIS SUMMER BUT IT WOULD
CLEARLY BE IN OUR INTERESTS TO POSTPONE THIS POLITICALLY-
DIFFICULT DECISION UNTIL 1977.

4. BECAUSE OF OUR DIFFICULTIES IN BEING VERY FORTH-
COMING ON IDA DURING 1976, IT BECOMES EVEN MORE IMPORTANT
TO ADOPT A POSITIVE APPROACH ON THE SELECTIVE CAPITAL
INCREASE FOR THE IBRD. THE U.S. POSITION IS STILL
UNDECIDED. HOWEVER, A POSITION MUST BE AGREED UPON
BEFORE MID-MARCH WHEN THE ISSUE IS TAKEN UP BY THE BANK
BOARD. THERE IS REASON TO BELIEVE THAT SECRETARY SIMON
IS PROBABLY LEANING TOWARD U.S. PARTICIPATION.

5. WE SUGGEST YOU DISCUSS WITH SIMON GENERAL U.S.
STRATEGY TOWARD THE WORLD BANK IN 1976 WITH PARTICULAR
FOCUS ON THE IBRD SELECTIVE CAPITAL INCREASE AND IDA.
ATTACHED ARE TALKING POINTS FOR YOUR USE.

RECOMMENDATION:

THAT YOU REITERATE TO SIMON THAT WE
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BELIEVE THE US SHOULD SUPPORT THE PROPOSED IBRD
SELECTIVE CAPITAL INCREASE.

APPROVE DISAPPROVE

-- THE WORLD BANK IS CLEARLY ONE OF THE MOST
EFFECTIVE INTERNATIONAL INSTRUMENTS WE HAVE FOR
PROMOTING ECONOMIC DEVELOPMENT WHICH FURTHERS OUR

POLITICAL INTERESTS IN THOSE COUNTRIES.

-- GIVEN OUR ENORMOUS POLITICAL AND FINANCIAL INVESTMENT IN THE BANK, IT IS IMPORTANT THAT WE CONTINUE TO SUPPORT THIS INSTITUTION AND HAVE THE INTERNATIONAL IMAGE OF SO DOING.

-- I BELIEVE A GOOD APPROACH WHICH WOULD PROTECT OUR INTERESTS IN THE BANK AND WHICH WOULD BE ACCEPTABLE TO THE CONGRESS IS TO ACCEPT THE BANK'S MODEST SELECTIVE INCREASE NOW AT THE SAME TIME WE BEGIN TO TALK TO MCNAMARA ABOUT A DELAY IN THE IDA REPLENISHMENT.

-- AS PART OF THIS COMPROMISE, WE MUST WORK TO ENSURE THE FULL APPROPRIATION OF THE FIRST TRANCHE OF THE U.S. CONTRIBUTION TO IDA IV. I WOULD BE PLEASED TO HELP IN CALLING KEY CONGRESSMEN AND SENATORS TO LOBBY FOR THIS APPROPRIATION. INGERSOLL

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